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150 NORTH MICHIGAN AVENUE

CHICAGO, ILLINOIS 60601-7567

312-558-1000

TWX NUMBER  
910-221-1154

TELECOPIER  
312-750-8600

1 6143  
RECORDATION NO. \_\_\_\_\_ FILED 1188

JAN 5 1989 11 57 AM

INTERSTATE COMMERCE COMMISSION  
JANUARY 4, 1989

529 FIFTH AVENUE  
NEW YORK, NEW YORK 10017-4608  
212-949-7075

580 HOWARD AVENUE  
SOMERSET, NEW JERSEY 08875-6739  
201-563-2700

888 16TH STREET, N.W.  
WASHINGTON, D.C. 20006-4103  
202-296-8600

## VIA MESSENGER DELIVERY

Ms. Noreta R. McGee  
Secretary  
Interstate Commerce Commission  
12th Street & Constitution Avenue, N.W.  
Washington, D.C. 20423

No. 9-005A037  
Date JAN 5 1989  
Fee \$ 13.00  
CC Washington, D. C.

Dear Ms. McGee:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are one original executed copy and three photostatic copies of a Loan and Security Agreement, dated as of December 30, 1988 between PLM Income Advantage Fund, as Borrower, and Irving Trust Company, as Lender (the "Loan and Security Agreement"), which Loan and Security Agreement is a primary document as defined in the Commission's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Borrower: PLM Income Advantage Fund  
c/o PLM International, Inc.  
655 Montgomery Street  
Twelfth Floor  
San Francisco, CA 94111

Lender: Irving Trust Company  
One Wall Street  
New York, NY 10015

A description of the railroad equipment covered by the enclosed document is set forth in Schedule 1 to the Loan and Security Agreement.

Noreta R. McGee  
January 4, 1989  
Page 2

Also enclosed is a check in the amount of \$13.00 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

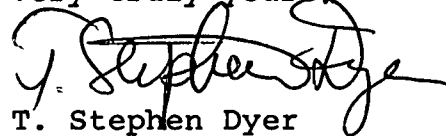
Kindly return the stamped original executed copy and two stamped photostatic copies of the enclosed document and a stamped photostatic copy of this letter to T. Stephen Dyer, Ross & Hardies, 150 N. Michigan Avenue, Chicago, Illinois 60601.

Following is a short summary of the enclosed document:

Loan and Security Agreement, dated as of December 30, 1988, between Irving Trust Company and PLM Income Advantage Fund, with respect to the railroad equipment described in Schedule 1 thereto.

Please feel free to call me (collect, if necessary) at the above address with any questions which you may have concerning the above.

Very truly yours,

A handwritten signature in dark ink, appearing to read "T. Stephen Dyer", written over the typed name.

T. Stephen Dyer

TSD/gh  
Enclosure

**Interstate Commerce Commission**  
**Washington, D.C. 20423**

1/5/89

OFFICE OF THE SECRETARY

T. Stephen Dyer  
Ross & Hardies  
150 North Michigan Avenue  
Chicago, Illinois 60601-7567

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/5/89 at 11:05am, and assigned recordation number(s). 16143

Sincerely yours,

*Nanta R. McEneaney*  
Secretary

Enclosure(s)

TSD-PLM-1  
MOE/GJH

1 6143

RECORDATION NO. \_\_\_\_\_ FILED 1989

JAN 5 1989 - 11 05 AM

**INTERSTATE COMMERCE COMMISSION**

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LOAN AND SECURITY AGREEMENT

BETWEEN

PLM INCOME ADVANTAGE FUND

AND

IRVING TRUST COMPANY

DATED AS OF DECEMBER 30, 1988

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## LOAN AND SECURITY AGREEMENT

This LOAN AND SECURITY AGREEMENT dated as of the 30th day of December, 1988, by and between PLM INCOME ADVANTAGE FUND, a California limited partnership, ("Borrower"), and IRVING TRUST COMPANY ("Lender").

### W I T N E S S E T H:

WHEREAS, the defined terms in Exhibit A annexed hereto are hereby incorporated herein; and

WHEREAS, Lender proposes to refinance a portion of Borrower's cost of purchasing four hundred fifty (450) high side fixed end gondolas (collectively, the "Units" and individually, a "Unit") such financing to be secured by Borrower's grant to Lender of a security interest in the Units and certain other collateral described herein, and to be evidenced by Borrower's Promissory Note, dated December 30, 1988.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

### A. THE LOAN

A.1. The Loan. Subject to fulfillment of the terms and conditions specified herein, Borrower agrees to borrow from Lender, and Lender agrees to lend to Borrower \$9,601,708.50 on the



Closing Date. On the Closing Date, Borrower shall execute and deliver to Lender, to evidence the loan to be made to Borrower hereunder, its promissory note (the "Note") in substantially the form attached hereto as Exhibit B. The loan evidenced by the Note shall be payable in accordance with the terms of the Note.

A.2. Conditions Precedent to Funding. (i) The obligation of Lender to fund the portion of the loan hereunder to be funded on the Closing Date shall be subject to fulfillment of the following conditions to the satisfaction of Lender and its counsel:

(a) On or prior to the Closing Date, fully executed copies of the following documents shall have been delivered to each party thereto with executed counterparts delivered to Lender:

- (i) this Agreement;
- (ii) the Note;
- (iii) an original of the documents pursuant to which the Units were conveyed to PLM Railcar Management Services, Inc. ("RMSI");
- (iv) an original of a Bill of Sale, dated as of December 30, 1988, from RMSI to Borrower, pursuant to which the Units have been conveyed in form satisfactory to Lender;

- (v) letter agreements, each dated December 30, 1988 (individually, a "Letter Agreement" and collectively, the "Letter Agreement"), pursuant to which PLM Equipment Growth Fund I ("PLM Growth I") and PLM Equipment Growth Fund II ("PLM Growth II"), respectively, each agree to purchase all or a portion of the Units on March 31, 1989 for an amount not less than the outstanding principal amount of the Note, plus interest accrued to the date of purchase, in the event that the Borrower is unable to do so;
- (vi) an original of the Equipment Lease Agreement, together with all supplements and amendments thereto (the "Equipment Lease"), pursuant to which Detroit Edison Company leases the Units;
- (vii) an original of the Assignment and Assumption Agreement (the "Assignment") dated as of September 28, 1988 from Greyhound Financial Cor-

poration to PLM Investment  
Management, Inc.;

- (viii) such other documents as Lender may reasonably require.

(b) On or prior to the Closing Date, Lender shall also have received:

- (i) certified copies of the appropriate resolutions or other proceedings of the Borrower and PLM Financial Services, Inc., the corporate general partner of the Borrower ("FSI"), with respect to this Agreement, the Note, the Bill of Sale and the other instruments contemplated herein and therein and to the execution, delivery and performance thereof by the respective parties;
- (ii) certified copies of the partnership organizational documents of the Borrower and the corporate organizational documents and by-laws of FSI;
- (iii) evidence satisfactory to it that this Agreement is being filed with the ICC pursuant to 49 U.S.C. §11303, together with a search

request or an opinion of counsel, in form and substance satisfactory to Lender, indicating that the Units are not encumbered as of the Closing Date;

- (iv) such other approvals, certificates, agreements and other documents as are listed on the closing list prepared in connection with the transactions contemplated hereby and as Lender may reasonably request.

(c) On or prior to the dates specified below, Lender shall also have received:

- (i) on or prior to January 4, 1988, confirmation satisfactory to Lender that the Lender is a loss payee and additional named insured with respect to the insurance which the Borrower is required to maintain pursuant to this Agreement;
- (ii) On or prior to January 18, 1989 certificates confirming that the insurance which the Borrower is required to maintain pursuant to this Agreement is in full force and effect and showing the Lender as a

loss payee and an additional named insured;

- (iii) On or prior to January 4, 1989, an opinion of ICC counsel acceptable to the Lender indicating that Lender's security interest in the Units is a valid first priority security interest.

(d) The representations and warranties of Borrower contained herein and in any certificate delivered pursuant hereto shall be true and correct on and as of the Closing Date with the same effect as though made on and as of the Closing Date, and on the Closing Date there shall be no default hereunder, or the occurrence of any event which, but for the lapse of time or the giving of notice, or both, would constitute such a default; and Lender shall have received on or prior to the Closing Date from Borrower certificates to such effect dated the Closing Date, signed, respectively, by an officer of Borrower;

(e) Lender shall have received such evidence of fulfillment of the foregoing conditions of this Section A.2 including, without limitation, certificates of officers of Borrower, public officials and others, as Lender or its counsel may reasonably require to establish to their satisfaction the fulfillment of such conditions.

(f) Lender's obligation to make the loan (i) shall not be prohibited by any applicable law or governmental regu-

lation, including, without limitation, Regulation G, T, U or X of the Board of Governors of the Federal Reserve System, (ii) shall not subject Lender to any penalty or, in its reasonable judgment, other onerous condition under or pursuant to any applicable law or governmental regulation, and (iii) shall be permitted by the laws and regulations of the jurisdictions to which Lender is subject. If requested by Lender, Borrower shall have delivered to Lender factual certificates or other evidence reasonably available to Borrower, in form and substance satisfactory to Lender, to enable Lender to establish compliance with this condition, to the extent such compliance relates to the nature, condition, action or inaction of Borrower.

(g) On or prior to the Closing Date, Lender (or its designee) shall have been afforded the opportunity to inspect the Units and Lender shall, in its sole discretion, be satisfied with the results of the inspection of the Units, if such inspection is undertaken.

Disbursements under this Agreement and repayments of the loan made hereunder shall be evidenced by endorsement on the Note. Lender, through its officers and employees, is authorized to endorse all such disbursements and repayments on the Note and such endorsements, together with evidence of the corresponding credit or charge to the account of Borrower maintained at Lender, shall be conclusive evidence of the from time to time principal balance of the Note.

A.3. Representations, Warranties and Covenants. Borrower represents, warrants and covenants that:

(i) Borrower is a limited partnership duly organized, validly existing and in good standing under the laws of the State of California, has full power and authority to own its property and carry on its business as currently conducted and is duly qualified to do business and is in good standing in such other jurisdictions in which the failure so to qualify would have an adverse effect upon the condition, financial or otherwise of the Borrower;

(ii) Borrower is conducting its business in such a manner as to comply with all applicable laws and regulations of the United States of America, the several states and the District of Columbia and any subdivision of any thereof wherein Borrower is doing business and of all governmental agencies and authorities of any thereof having jurisdiction in the premises where the failure to so comply would have a material adverse affect on the business, present or prospective, or the operations, property, assets or condition, financial or otherwise, of Borrower;

(iii) Borrower has the full power and authority to execute, deliver and perform this Agreement and the Note;

(iv) This Agreement has been duly authorized, executed and delivered by Borrower and assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of Borrower enforceable against it in accordance with its terms;

(v) The Note has been duly authorized and executed by Borrower and delivered by Borrower to Lender, and constitutes the legal, valid and binding obligation of Borrower enforceable against it in accordance with the terms thereof, subject to the limitations as to enforceability contained therein;

(vi) The Letter Agreements have been duly executed by each of PLM Growth I and PLM Growth II and delivered by each of PLM Growth I and PLM Growth II to Lender, and constitute the legal, valid and binding obligation of each of them enforceable against them in accordance with the terms thereof;

(vii) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by Borrower of this Agreement or the Note, except for the filing of this Agreement with the ICC pursuant to 49 U.S.C. §11303 and the filing of UCC-1 financing statements with the office of the Secretary of the State of California;

(viii) Neither the execution, delivery or performance by Borrower of this Agreement and the Note, nor compliance with the terms and provisions thereof, conflicts or will conflict with or will result in a breach or violation of any of the terms, conditions or provisions of any law, governmental rule or regulation or the charter documents, as amended, or by-laws, as amended, of Borrower or any order, writ, injunction or decree of any court or governmental authority against Borrower or by which it or any of its properties is bound, or of any indenture, mort-



gage or contract or other agreement or instrument to which Borrower is a party or by which it or any of its properties is bound, or constitutes or will constitute a default hereunder or will result in the imposition of any lien not permitted hereby upon any of its properties;

(ix) Borrower has good and lawful title to the Units and the good and lawful right to assign the same to Lender, free from all claims, liens, security interests and other encumbrances, except Permitted Encumbrances; and when this Agreement is filed with the ICC, it will represent a valid first priority, perfected lien on and a valid first priority, perfected security interest in the Units superior to the rights of all third persons;

(x) Neither Borrower nor, to its knowledge, anyone acting on its behalf, has directly or indirectly offered the Note, or similar securities relating to the Units, for sale to, or solicited any offer to acquire any of the same from, anyone other than Lender;

(xi) The execution and delivery by Borrower of this Agreement and the Note will not involve any prohibited transaction within the meaning of ERISA or Section 4975 of the Code;

(xii) This Agreement will be, or will be caused to be, on or prior to the Closing Date, duly filed with the ICC pursuant to 49 U.S.C. §11303, and UCC-1 financing statements have been filed with respect thereto in the office of the Secretary of State of California;

(xiii) Except for (a) the filings referred to in paragraph (xii) hereof and (b) filings related to Permitted Encumbrances, there are no security agreements, financing statements or notices signed by Borrower on file in any appropriate public office naming Borrower as debtor and purporting to create or perfect a security interest in the Collateral (as defined hereinafter), and no other filing, depositing or recordation is necessary (A) for the protection of the title of Borrower to the Collateral in any State of the United States of America or the District of Columbia or (B) for the perfection of the lien and security interest of Lender under this Agreement as against creditors of and purchasers from Borrower;

(xiv) The representations and warranties made by PLM Growth I and PLM Growth II in the Letter Agreements are true and correct on the date hereof and as of the Closing Date, and the Letter Agreements are legal, valid and binding in obligations of PLM Growth I and PLM Growth II, respectively, enforceable in accordance with their respective terms; and

(xv) All statements contained in any certificate, document, financial statement or other instrument delivered by or on behalf of Borrower pursuant to or in connection with this Agreement shall be deemed to constitute representations and warranties under Section A.3 of this Agreement. All of Borrower's representations and warranties under this Agreement shall survive the execution and delivery of the same, any investigation by Lender and the issuance of the Note.

A.4 Mandatory Prepayment In The Event Of Casualty Occurrence. In the event that a Unit shall be lost, stolen, destroyed, irreparably damaged or otherwise determined to be permanently unfit for use from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (any such occurrence being hereinafter called a "Casualty Occurrence"), Borrower shall promptly and fully inform the Lender in regard thereto (but no later than 10 days after it has knowledge of such Casualty Occurrence). Borrower, within 60 days after it has knowledge of such event, shall promptly pay to Lender a sum equal to that portion of the outstanding principal amount of the loan hereunder relating to the Unit suffering the Casualty Occurrence plus interest on that sum accrued through the date of payment.

A.5 Insurance. Borrower will at all times prior to the payment in full of the indebtedness hereunder, together with interest thereon, and all other payments required hereby, at its own expense, cause to be carried and maintained insurance in respect of the Units at the time subject hereto in amounts and against risks customarily insured against by railroad companies on similar equipment, and in any event in amounts and against risks comparable to those insured against by Borrower on similar equipment owned by it. Borrower will not use, or cause to be used by any other party, the Units, unless it maintains liability insurance with respect to the Units in amounts customarily insured against by railroad companies. Borrower agrees to obtain

and maintain all such insurance with third party, unaffiliated insurers reasonably satisfactory to Lender.

Except for liability insurance in respect of which Lender shall be named as a co-insured with Borrower, all such insurance shall be taken for the benefit of Lender, as its interest may appear, and shall name Lender as loss payee and provide that the proceeds of such insurance shall be payable to Lender. In addition, all such insurance shall provide for at least thirty (30) days' written notice to Lender prior to the termination, cancellation or modification of said insurance. Borrower shall furnish to Lender certificates or other satisfactory evidence of the maintenance of the insurance required hereunder.

Insurance proceeds received by Lender with respect to a Unit (a) in the case of a Casualty Occurrence, shall be applied by Lender towards the satisfaction of Borrower's obligation to prepay a portion of the loan pursuant to Section A.4 of this Agreement or (b) in the case of repairable damage or loss to a Unit not constituting a Casualty Occurrence and for so long as no event of default shall have occurred and be continuing hereunder, will be paid by Lender to Borrower upon receipt by Lender of proof of the proper repair of such damage or loss, with all such repairs made within industry standards. Except as provided in the preceding sentence, all insurance proceeds received by Lender with respect to a Unit shall be applied by Lender in respect of the payment of the indebtedness hereunder, accrued and unpaid interest thereon, and other amounts owing to Lender hereunder,

applying such proceeds first to interest and then to principal payments in inverse order of maturity.

A.6. Maintenance; Compliance with Laws and Rules. Borrower will at all times maintain the Units or cause the Units to be maintained in good order and repair at its own expense.

## B. SECURITY

B.1. Grant of Security. (a) In order to secure the prompt payment of the principal of and interest on the Note (whether now or hereafter outstanding) and of all other moneys payable and to be payable to Lender under this Agreement (collectively the "Indebtedness"), and the timely and faithful performance and observance by Borrower of all of the agreements, covenants and provisions contained in this Agreement and the Note, Borrower has granted, conveyed, pledged, sold, mortgaged, assigned, transferred and set over a security interest, and does hereby grant, convey, pledge, sell, mortgage, assign, transfer and set over a lien on and continuing security interest, unto Lender in (i) the Units; (ii) Borrower's interest in accessions, accessories, equipment, appurtenances and replacement and added parts appertaining or attached to the Units, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to the Units described above (the Units and the equipment described in items (i) and (ii) herein being hereinafter some-

times collectively called the "Security Equipment"), together with all the rents, issues, income, profits, proceeds and avails therefrom and the proceeds thereof; (iii) all proceeds (including, without limitation, insurance and indemnity payments) from the sale, loss or other disposition of the Security Equipment; (iv) all rights, claims and causes of action, if any, which Borrower may have against any manufacturer, rebuilder or seller of the Security Equipment (or any component thereof) or any other party, by contract or otherwise, in respect of any defect in the Security Equipment; (v) the bills of sale or other conveyance documents relating to the Units, including without limitation the Bill of Sale described in subsection A.2(a)(iv) hereof, the Letter Agreements, the Equipment Lease, the Assignment, any agreement now or hereafter entered into with respect to the refurbishing, repairing or rebuilding of the Security Equipment, and any other agreement now or hereafter entered into for leasing the Units to any third party (such documents collectively referred to as the "Assigned Documents"), together with all of Borrower's estate, right, title, interest, claims and demand in, to and under the Assigned Documents, including all extensions of any of the terms thereof, together with all rights, powers, privileges, options, and other benefits of Borrower, including without limitation the right to receive notices, give consents, exercise any election or option, declare defaults and demand payments under the Assigned Documents and (vi) all rent, damages and other moneys from time to time payable to or receivable by

Borrower in respect of the Security Equipment (such Security Equipment, proceeds, rights, claims, causes of action and the Assigned Documents described in items (i) through (vi) above being herein sometimes collectively called the "Collateral"), to have and to hold all and every part of the Collateral unto Lender, and its successors and assigns, for its and their own use and benefit forever;

(b) PROVIDED FURTHER, and these presents are on the condition that, if Borrower, or its successors or assigns, shall pay or cause to be paid to Lender all of the indebtedness hereunder in accordance with its terms, as provided in this Agreement and the Note and shall well and faithfully perform and observe all of the agreements, covenants, and provisions hereof and thereof at the time and in the manner specified, then all rights herein assigned to Lender shall cease and terminate, all estate, right, title and interest of Lender in and to the Collateral shall revert to Borrower and this Agreement and the rights and powers granted herein and hereby shall cease to be binding and shall be of no further force and effect; and

(c) PROVIDED FURTHER, that, subject to the terms and provisions hereof and unless otherwise stated herein, Borrower may retain possession, use and enjoyment of the Collateral, as long as no Default shall have occurred and be continuing.

B.2. Lender as Agent. Subject to Section B.1 hereof, Borrower hereby appoints Lender, and its successors and assigns, the true and lawful attorney of Borrower, irrevocably and with

full power of substitution, in the name of Borrower or otherwise, to demand, receive, compromise, sue for, and give acquittance for, any and all rentals, profits, moneys and claims for money due and to become due with respect to the Security Equipment or otherwise arising out of this Article B, to endorse any checks or other instruments or orders in connection therewith, to make all waivers and agreements and to file any claims or take any actions or institute any proceedings with respect thereto which Lender may deem reasonably necessary or advisable upon default by Borrower. Anything herein contained to the contrary notwithstanding, neither Lender nor its nominee or assignee shall have any obligation or liability by reason of or arising out of this Article B to make any inquiry as to the nature or sufficiency of, to present or file any claim with respect to, or to take any action to collect or enforce the payment of, any amount to which it may be entitled at any time or times by virtue of this Article B.

B.3. Perfecting Security. Borrower hereby represents and warrants that as of the Closing Date (and after giving effect to any filings which Lender has advised Borrower it has previously made) all recordings and filings shall have been made, or caused to be made, which are necessary or appropriate to perfect Lender's interest in the Collateral, including, without limitation, recordings and filings with the ICC and with the appropriate state and local UCC filing offices, and that no other filings, recordings, depositing or giving of notice is necessary



in order to protect the rights of Lender in and to the Collateral. Borrower shall, from time to time and at its own expense, promptly execute, acknowledge, witness, deliver and file and/or record, or procure the execution, acknowledgment, witnessing, delivery and filing and/or recordation of, such documents or instruments, and shall take or cause to be taken such other actions, as Lender may reasonably request for the perfection against Borrower and all third parties whomsoever of the security interest created by this Article B, of the rights and powers herein granted to Lender and for the continuation and protection thereof and promptly give to Lender evidence satisfactory to Lender of such delivery and filing and/or recording. Without limiting the generality of the foregoing, Borrower shall from time to time and at any time execute, acknowledge, witness and deliver such financing and continuation statements, notices and additional security agreements, make such notations on its records and take such other action as Lender may reasonably request for the purpose of so perfecting, maintaining and protecting such security interest of Lender, and shall cause this Agreement and each such financing and continuation statements, notices and additional security agreements to be filed or recorded in such manner and in such places as may be required by applicable law and as Lender may reasonably request for such purpose. Borrower hereby authorizes Lender to effect any filing or recording which Lender has requested pursuant to this Section B.3 without the signature of Borrower to the extent permitted by

applicable law. The costs and expenses of Lender with respect to such actions shall be payable by Borrower on demand.

B.4. After-Acquired Property. Any and all property described or referred to in Section B.1 hereof which is hereafter acquired shall, without any further conveyance, assignment or act on the part of Borrower or Lender, become and be subject to the security interest herein granted as fully and completely as though specifically described herein. Borrower shall, at its expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired.

B.5. Usage. So long as no Default shall have occurred and be continuing, Borrower shall be entitled to the possession and use of the Units wholly within the continental United States in accordance with the terms of this Agreement.

B.6. Release of Collateral Upon Payment or Prepayment. At such time as the Borrower pays in full the outstanding principal of and accrued interest on the Note, plus all other payments required to be made by the Borrower hereunder, the Bank will release its security in the Collateral hereunder. If the Borrower prepays a portion of the outstanding principal balance plus interest accrued with respect to the portion of the outstanding principal prepaid, and the Borrower has paid in full all other payments required to be made by the Borrower hereunder,

the Bank will release its security interest in the number of Units equal to 450 multiplied by a fraction, the numerator of which is an amount equal to the portion of the principal prepaid and the denominator of which is \$9,601,708.50. The Units to be released will be chosen by road number, releasing those Units with the lowest numbers first and those Units with the highest numbers last.

B.7. Registration of Equipment. Borrower shall, at its expense, register or cause to be registered the Units and any substitute equipment in accordance with any and all applicable federal, state, and local registration requirements of the AAR and the ICC or any of their successor organizations.

B.8 Protection of Security. Borrower shall not:

(a) permit any of the Collateral to be levied upon under legal process or to fall under any other lien or encumbrance of whatever nature arising as a result of claims against Borrower, except Permitted Encumbrances; and

(b) except with the prior written consent of Lender and upon the terms and conditions, if any, specified in such consent, sell, assign (including by virtue of assignments by operation of law), mortgage, pledge or otherwise transfer or encumber any of the Collateral (except as contemplated herein) or take any action which would permit any party other than Lender to perfect any security interest in the Collateral, whether for purchase money or otherwise.

B.9 Indemnity for Acts and Omissions of Borrower.

Borrower covenants and agrees with Lender that in any suit, proceeding or action brought or taken by Lender under this Agreement or any bill of sale relating to the Security Equipment, Borrower will save, indemnify and keep Lender harmless from and against all expense (including legal fees), loss or damage suffered by Lender as a result of any action, or failure to act, of Borrower.

B.10 Taxes. Borrower will pay all taxes in connection with the issuance, sale or delivery of the Note and the execution and delivery of this Agreement and any other agreements and instrument contemplated hereby and any modification of the Note, this Agreement or such other agreements and instruments and will save Lender harmless, without limitation as to time, against any and all liabilities with respect to all such taxes. Borrower will also pay all other taxes, assessments or charges which may be levied on the Note or interest thereon, except any income tax imposed under the laws of the United States of America or of any foreign country, and will save the Lender harmless, without respect to all such taxes, assessments or charges. The obligations of Borrower under this Section B.9 shall survive the payment or prepayment of the Note and the termination of this Agreement.

B.11. Disclaimer by Lender. Lender makes no representations or warranties with respect to the Collateral or any part thereof; Lender shall not be chargeable with any obligations or liabilities of Borrower with respect thereto; and Lender shall

have no liability or obligation arising out of any such claims, known or unknown, with respect to the Collateral.

B.12 Assigned Documents. Borrower agrees to provide promptly to Lender the original of each Assigned Document (not delivered at the Closing) entered into by Borrower at any time this Agreement is in effect.

### C. DEFAULT

C.1. Defaults. The following events are defaults hereunder:

(a) Borrower shall fail to pay the principal of or interest on the Note when the same shall be due and payable, whether at the due date thereof, by acceleration or demand, as part of a prepayment or otherwise;

(b) Borrower shall default in performance of any of its other obligations under this Agreement, or any of its obligations under the Assigned Agreements, and such default shall continue for ten (10) days after written notice thereof to Borrower from Lender;

(c) Any representation or warranty on the part of Borrower made herein or in any report, certificate, financial or other statement furnished in connection with this Agreement or the transactions contemplated herein shall prove to have been false or misleading in any material respect when made;

(d) Any claim, lien or charge shall be asserted against or levied or imposed upon the Collateral which is prior to or on

a parity with the security interest granted hereunder, and such claim, lien or charge shall not be discharged or removed, or bonded against to the reasonable satisfaction of Lender, within ten (10) days after written notice from Lender to Borrower demanding the discharge or removal thereof;

(e) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against Borrower and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of Borrower under this Agreement shall not have been (and shall not continue to have been) duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within sixty (60) days after the commencement of such proceedings or otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

(f) any other proceedings shall be commenced by or against Borrower or FSI for any relief under any bankruptcy or insolvency law, or law relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit

any readjustment of the indebtedness payable hereunder), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of Borrower under this Agreement, or of PLM Growth I or PLM Growth II, as the case may be, under the Letter Agreement, shall not have been (and shall continue not to have been) duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for Borrower, for PLM Growth I or for PLM Growth II or for the property of any of them in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within sixty (60) days after such proceedings shall have been commenced.

C.2. Effect of a Default.

(a) Remedies. Upon the occurrence of any Default and at any time thereafter so long as the same shall be continuing, Lender may, at its option, do any one or more or all of the following acts, as Lender in its sole and complete discretion may then elect:

(i) by written notice to Borrower declare the entire principal amount of the Note to be due and payable forthwith, whereupon the Note shall become due and payable, both as to principal and interest, without presentment, demand or protest of

any kind, all of which are hereby expressly waived, anything contained herein or in the Note to the contrary notwithstanding;

(ii) institute legal proceedings to foreclose upon and against the security interest granted herein to recover judgment for all amounts then due and owing as indebtedness hereunder, and to collect the same;

(iii) institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any of the Collateral;

(iv) institute legal proceedings for the appointment of a receiver or receivers pending foreclosure hereunder or the sale of any of the Collateral under the order of a court of competent jurisdiction or under other legal process;

(v) personally, or by agents or attorneys, enter into and upon any premises wherein the Collateral or any part thereof may then be located, and take possession of all or any part thereof or render it unusable, and, without being responsible for loss or damage, hold, store and keep idle, or operate, lease or otherwise use or permit the use of the same or any part thereof for such time and upon such terms as Lender may determine, in a commercially reasonable manner;

(vi) personally, or by agents or attorneys, enter into and upon any premises wherein the Collateral or any part thereof may then be located, and take possession of all or any part thereof with or without process of law and without being responsible for loss or damage and sell or dispose of all or any



part of the same, free from any and all claims of Borrower or of any other party claiming by, through or under Borrower at law, in equity or otherwise, at one or more public or private sales, in such place or places, at such time or times and upon such terms as Lender may determine, in a commercially reasonable manner with or without any previous demand on or notice to Borrower or advertisement of any such sale or other disposal, except that Lender shall provide Borrower with at least ten (10) days' prior notice of such sale by certified mail, return receipt requested; and for the aforesaid purposes, all other notices of sale, advertisement and demand and any right or equity of redemption otherwise required by, or available to Borrower under, applicable law are hereby waived by Borrower to the fullest extent permitted by applicable law; the power of sale hereunder shall not be exhausted by one or more sales, and Lender may from time to time adjourn any sale to be made hereunder;

(vii) demand, collect, and retain all rentals, earnings and all other sums due and to become due pursuant to subsections (v) or (vi) of this Section C.2(a) from any party whomever, accounting only for net earnings arising after charging against all receipts from the use of or sale of the Collateral, all costs and expenses of, and damages or losses by reason of, such use or sale power;

(viii) if and to the extent the Default results from a breach by Borrower of any representation, warranty or covenant of Borrower contained herein, institute legal proceedings against

Borrower to enforce performance of the applicable covenant of Borrower or to recover damages for the breach of any such representation, warranty or covenant; and

(ix) exercise any other right, power, privilege or remedy which may be available to a secured party under the Uniform Commercial Code or any other applicable law.

(b) Notice. If Lender must give prior notice to Borrower of any of the foregoing acts, Borrower hereby covenants and agrees that a notice sent to it in writing by certified mail, return receipt requested, at least ten (10) business days before the date of any such act (or such longer period as may be required by applicable law), at its address provided hereunder shall be deemed to be reasonable notice of such act and, specifically, reasonable notification of the time and place of any public sale hereunder and the time after which any private sale or other intended disposition is to be made hereunder.

(c) Application of Proceeds. The proceeds from the sale of the Collateral pursuant to any of the provisions of this Section C.2 shall be applied by Lender as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and reasonable attorneys' fees, incurred or made hereunder by the Lender, and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment to the Lender of the amounts of principal and accrued interest unpaid on the Note; and in case such proceeds shall be insufficient to pay in full the amount unpaid on the Note, first, to the unpaid interest thereof, and thereafter to the unpaid principal payments thereof in inverse order of maturity; and

(c) Third, to the payment of the surplus, if any, to Borrower, its successors and assigns, or to whosoever may be lawfully entitled to receive the same.

C.3. Waiver by Borrower. To the fullest extent that it may lawfully so agree, Borrower shall not at any time insist upon, claim, plead, or take any benefit or advantage of, any appraisal, valuation, stay, extension, moratorium, redemption or any similar law now or hereafter in force in order to prevent, delay or hinder the enforcement of this Agreement or the absolute sale of any part or all of the Collateral or the possession thereof by any purchaser at any sale pursuant to Section C.2 above; and Borrower, for itself and all who may claim through it, as far as it or they now or hereafter lawfully may so do, hereby waives the benefit of all such laws and all right to have the Collateral marshalled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclose under this Agreement may order the sale of the Collateral as an entirety.

C.4. Right to Purchase Collateral. At any sale pursuant to Section C.2 hereof, Lender or its agent may, to the extent permitted by applicable law, bid for and, if Lender is the high-

est bidder, purchase the Collateral offered for sale, may use any claim for Indebtedness payable to it as a credit against the purchase price and, upon compliance in full with the terms of such sale, may hold, retain and dispose of such property without further accountability therefor to Borrower or any other party.

C.5. Cumulative Rights. Each right, power and remedy herein specifically granted to Lender or otherwise available to it shall be cumulative, and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or otherwise; and each right, power and remedy, whether specifically granted herein or otherwise existing, may be exercised, at any time and from time to time, as often and in such order as may be deemed expedient by Lender in its sole and complete discretion; and the exercise or commencement of exercise of any right, power or remedy shall not be construed as a waiver of the right to exercise, at the same time or thereafter, the same or any other right, power or remedy. No delay or omission by Lender in exercising any such right or power, or in pursuing any such remedy, shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of Borrower or an acquiescence therein. No waiver by Lender of any breach or default of or by Borrower under this Agreement shall be deemed to be a waiver of any other or similar, previous or subsequent breach or default.

#### D. MISCELLANEOUS

D.1. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Borrower, Lender and their respective successors and assigns, provided that Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Lender.

D.2. Governing Law, Amendments, and Counterparts. The terms of this Agreement and all rights and obligations of the parties hereto shall be governed by the laws of the State of New York, without regard to its conflicts of law doctrine. Such terms, rights and obligations may not be changed orally, but may be changed only by an agreement in writing signed by the party against whom enforcement of such change is sought. This Agreement may be executed in any number of counterparts and by the parties hereto on separate counterparts, but all of such counterparts shall together constitute a single instrument.

D.3. Fees and Expenses. Borrower agrees to pay all of Lender's reasonable out-of-pocket expenses relating to the negotiation, execution, delivery and preparation of this Agreement and the Note, including recording costs and filing fees for UCC-1 financing statements and in respect of documents filed or recorded with the ICC and the fees and disbursements of Ross & Hardies, special counsel for Lender; provided, however, that prior to an Event of Default hereunder Borrower shall not be required to pay any charge imposed by Lender for the time of Lender's in-house counsel.

D.4. Notices. All notices and other communications provided for hereunder shall be in writing (including telegraphic communication) and mailed or telegraphed or delivered:

if to Borrower, at its address at

PLM Income Advantage Fund  
c/o PLM Financial Services, Inc.  
655 Montgomery Street  
Twelfth Floor  
San Francisco, CA 94111  
Attention: G. Herbert Gaul

and if to Lender, at its address at

Irving Trust Company  
One Wall Street  
New York, N.Y. 10015  
Attention: Transportation Department

with copies to:

Robert W. Kleinman, Esq. or  
T. Stephen Dyer, Esq.  
Ross & Hardies  
150 N. Michigan Avenue  
Suite 2500  
Chicago, Illinois 60601

All such notices shall be deemed given upon delivery to an officer of Borrower or Lender, as the case may be, or three days after deposit into the United States mail, certified or registered mail, return receipt requested, postage prepaid and addressed to the address indicated herein for such party or to such other address as such party may designate in writing pursuant hereto.

D.5. Survival. All warranties, representations, agreements and covenants made by Borrower herein or in any certificate or other instrument delivered by Borrower shall be considered to have been relied upon by Lender hereto and shall survive the

consummation of the transactions contemplated hereby regardless of any investigation made by Lender or on behalf of Lender. All statements in any such certificate or other instrument shall constitute warranties and representations by Borrower to the same effect as if set forth herein.

D.6. Headings and Tables of Contents. The headings of the sections of this Agreement and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

D.7. Entire Agreement. This Agreement, together with the Note, is intended by the parties as a final expression of their agreement and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement, together with the Note, supercedes all prior agreements and understanding between the parties with respect to such subject matter.

D.8. Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement or the Note, or where any provision hereof or thereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees in addition to any other available remedy.

D.9. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected, it being intended that all of the Lender's rights and privileges shall be enforceable to the fullest extent permitted by law.

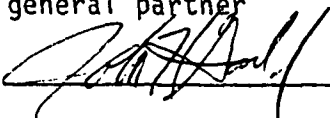
D.10. Reproduction of Documents. This Agreement and all documents relating hereto, including without limitation (a) consents, waivers and modifications which may hereafter be executed, (b) documents received on or as of the Closing Date, and (c) financial statements, certificates and other information previously or hereafter furnished to any party hereto, may be reproduced by such party by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process; and such party may destroy any original document so reproduced, all at the cost of such party. The parties hereto agree and stipulate that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.



IN WITNESS WHEREOF, the parties hereto have executed this Loan and Security Agreement as of the date first written above.

PLM INCOME ADVANTAGE FUND, a California limited partnership, Borrower

By: PLM FINANCIAL SERVICES, INC., its general partner

By:   
J. Herbert Gaul, Jr.

Its Vice President

IRVING TRUST COMPANY, Lender

By: \_\_\_\_\_

\_\_\_\_\_

Its \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have executed  
this Loan and Security Agreement as of the date first written  
above.

PLM INCOME ADVANTAGE FUND, a California  
limited partnership, Borrower

By: PLM FINANCIAL SERVICES, INC., its  
general partner

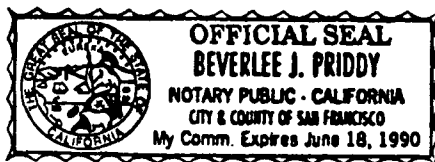
By: \_\_\_\_\_  
Its \_\_\_\_\_

IRVING TRUST COMPANY, Lender

By: James E. Morris  
James E. Morris  
Its Assistant Secretary

STATE OF CALIFORNIA                    )  
  ) SS.  
COUNTY OF SAN FRANCISCO            )

On this 30th day of December 1988, before me personally appeared J. Herbert Gaul, Jr. to me personally known, who being by me duly sworn, says that he is the Vice President, Finance and Chief Financial Officer of PLM FINANCIAL SERVICES, INC., a Delaware corporation and the corporate general partner of PLM INCOME ADVANTAGE FUND, a California limited partnership, that said instrument was signed and sealed on behalf of said limited partnership by its corporate general partner by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said partnership acting through its corporate general partner.



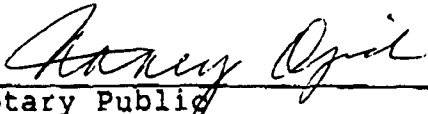
*Beverlee J. Priddy*  
Notary Public

(SEAL)

My commission expires: *June 18, 1990*

STATE OF NEW YORK )  
 ) SS.  
COUNTY OF NEW YORK )

On this 30th day of December 1988, before me personally appeared James E. Morris, to me personally known, who being by me duly sworn, says that he is a Assistant Secretary of IRVING TRUST COMPANY, that said instrument was signed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

  
\_\_\_\_\_  
Notary Public

(SEAL)

My commission expires:

NANCY OJEDA  
Notary Public, State of New York  
No. 24- 4924225  
Qualified in Kings County  
Commission Expires April 4, 1990

EXHIBIT A  
DEFINED TERMS

The terms defined in the Loan where used therein shall have the same meanings as set forth herein unless the context otherwise requires.

"AAR" shall mean the Association of American Railroads or any successor organization.

"Affiliate" shall have the same meaning prescribed by Rule 12b-2 of the regulations promulgated pursuant to the securities Exchange Act of 1934, as amended.

"Agreement" shall mean this Loan and Security Agreement.

"Assignment" shall have the meaning set forth in subsection A.2(a)(vii) hereof.

"Borrower" shall mean PLM Income Advantage Fund, a California limited partnership.

"Closing Date" shall mean date on which the loan is funded.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" shall have the meaning set forth in Section B.1 hereof.

"Default" shall mean any of the defaults described in Section C.1 hereof.

"Default Interest Rate" shall mean the Prime Rate plus 4% per annum.

"Equipment Lease" shall have the meaning set forth in subsection A.2(a)(vi) hereof.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"FSI" shall mean PLM Financial Services, Inc., the general partner of the Borrower.

"ICC" shall mean the Interstate Commerce Commission or any successor organization.

"Letter Agreement" or "Letter Agreements" shall have the meaning set forth in subsection A.2(a)(v) hereof.

"Note" shall have the meaning set forth in Section A.1 hereof.

"Permitted Encumbrances" shall mean with respect to the Units: (i) the security interest created by this Agreement; (ii) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings diligently conducted so long as such proceedings shall stay the enforcement thereof and the sale or forfeiture of the Units or any part thereof or interest therein and (iii) undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or employees' liens or other like liens arising in the ordinary course of business and securing obligations which are not delinquent or which shall have been bonded or the enforcement of which shall have been suspended (but only for the duration of such suspension).

"Prime Rate" shall mean the rate of interest per annum which Irving Trust Company, New York, New York, or its successor, announces from time to time as its prime rate as in effect from time to time.

"RMSI" shall have the meaning set forth in subsection A.2(a)(iii) of this Agreement.

"Security Equipment" shall have the meaning set forth in Section B.1 hereof.

"Unit" or "Units" shall have the meaning set forth in the preambles to this Agreement.

EXHIBIT B

PROMISSORY NOTE

PROMISSORY NOTE

\$9,601,708.50

Dated: December 30, 1988

FOR VALUE RECEIVED, PLM INCOME ADVANTAGE FUND, a California limited partnership ("Borrower"), hereby promises, subject to conditions hereinafter set forth, to pay to the order of IRVING TRUST COMPANY ("Lender"), at the principal office of Lender at One Wall Street, New York, N.Y. 10015, or such other place as the holder hereof shall from time to time specify to Borrower, on demand or if no demand is made, on March 31, 1989, the principal amount of \$9,601,708.50, in lawful money of the United States, together with interest, in like money, from the date hereof on the unpaid principal amount hereof from time to time outstanding, in each case at the rate of interest per annum equal to one and one half percent (1 1/2%) in excess of the rate of interest per annum announced from time to time by Irving Trust Company as its prime rate of interest (the "Prime Rate"), each change in the Prime Rate to be effective as of the date of the change; and after maturity or demand, at a rate which is four percent (4%) per annum in excess of the Prime Rate.

Interest shall be payable on the date on which the outstanding principal amount of this Note shall become due. All payments received in respect of this Note shall be credited first to interest accrued on the outstanding principal amount of this Note and then to the unpaid and outstanding principal on this Note.

This Note is the Note referred to in, and is entitled to the benefit of, the Loan and Security Agreement, dated as of December 30, 1988 ("Agreement"), between Borrower and Lender. The Note is secured by a grant of security made by Borrower to Lender pursuant to the Agreement. Reference is hereby made to the Agreement for a description of the property assigned, the nature and extent of the security and the rights of Lender in respect of such security.

The rate of interest on this Note shall change simultaneously with each change in the Prime Rate, and interest shall be calculated on the basis of the actual number of days elapsed over a 360 day year.

This Note, to the extent permitted by applicable law, shall bear interest at the Default Interest Rate (as defined in the Agreement) on any part of the principal or interest hereof not paid when due for any period during which the same shall become overdue. If any payment of principal or interest on this Note shall become due on a Saturday, Sunday or any other day in which banking institutions in the State of New York are closed



for business, such payment shall be made on the next succeeding business day, and interest shall continue to accrue on this Note through the date of such payment.

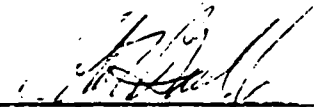
This Note is subject to mandatory prepayment and the maturity of the Note may be accelerated, all as provided in the Agreement. Borrower hereby waives presentment, demand or protest of any kind otherwise required in connection with the payment of principal of or interest on the Note or the acceleration of maturity, notice of nonpayment, notice of protest and notice of dishonor. This Note shall be construed in accordance with and governed by the laws of the State of New York, without regard to its conflicts of law doctrine.

Borrower:

PLM INCOME ADVANTAGE FUND, a  
California Limited Partnership

By: PLM FINANCIAL SERVICES  
INC., its general partner

By:

  
John D. Galt, Jr., Its VP

SCHEDULE 1

DESCRIPTION OF THE COLLATERAL  
(including road numbers)

Description of Railcars: 450 Pullman - standard 53'1" 100 ton  
all steel high side fixed end  
gondolas, 4,000 cubic foot capacity

Road Numbers: All DEEX

6106-6113	
6115-6134	
6136-6137	6430-6445
6139-6149	6447-6460
6151-6153	6462-6477
6155-6162	6479-6498
6164-6199	6500-6502
6201-6219	6504-6510
6221-6254	6512-6518
6256-6268	6520-6524
6270	
6272-6273	6527-6530
6276-6292	6533-6545
6294-6297	
6299-6302	6547-6554
	6556-6560
6305-6310	6562-6565
6312-6321	6567-6574
6323	6576-6582
6325-6340	6584-6593
6342-6358	8001-8007
6360-6366	
6368-6374	
6376-6393	
6395-6403	
6405-6427	